

STATE OF NEVADA
DEPARTMENT OF TAXATION

Repairs

- All tangible personal property is taxable unless specifically exempted by statute

Repair labor is considered a service and not subject to tax unless parts and labor are not segregated and then the whole invoice is subject to tax!



Separation of Charges on Invoice

Charges for tangible personal property
AND

Charges for installation/repair labor
MUST be stated separately

OTHERWISE.....

EVERYTHING on the invoice will be
subject to sales tax!

Repairing & Reconditioning in general

- Repairmen are retailers of parts & materials if...

The value of the parts/materials is SUBSTANTIAL in relation to the total charge

Example: Total Charge = \$1,000

Part value = \$ 750



Parts must be separated and taxed. If there is no separation of the charges, then the entire invoice is subject to tax!

NAC 372.390(1) and NAC 372.400

Repairing & Reconditioning in general

- Repairmen are consumers of parts & materials if...

The value of the parts/materials is INSUBSTANTIAL in relation to the total charge and no separate charge is made for the parts/materials. If material IS separately stated, then the repairman MUST charge sales tax on the material.

Repairing & Reconditioning in general

- *Example: Total Charge = \$100*
Part value = \$ 5



To be considered a consumer of parts/materials used in connection with repairs, the repairman must pay the tax on the purchase of the materials/parts.

NAC 372.390(2) and NAC 372.400

Repairs/Reconditioning Motors and Transformers

- Materials & supplies furnished in connection with the rewinding of motors and transformers:

--If one charge is made for both materials and labor.....

--**50%** of the charge shall be deemed to be the sales price of the materials/supplies and will be subject to tax

Repairs/Reconditioning Tires

- Tire retreaders/recappers are **RETAILERS**.
If one charge is made for the
retreading/recapping.....

75%

of the charge
shall be deemed to be
the sales price of the
property



Fabrication Labor

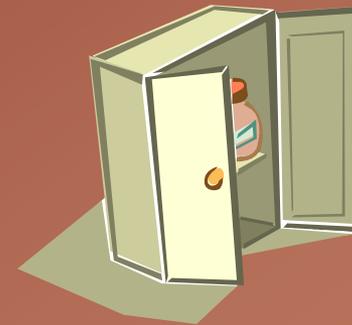
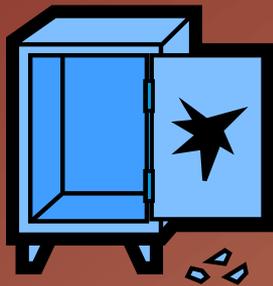
- Labor used to
.....change tangible personal property to
another form and billed in a retail
sale.....



Taxable!

Refurbish Labor

- Labor used to refurbish an item of tangible personal property to restore or refit it for the use for which it was originally produced.....



Not Taxable!

Painters, Polishers & Finishers

- Charges for painting, polishing & otherwise finishing tangible personal property in connection with the production of a finished product for consumers, regardless of whether the article to be finished is supplied by the customer or the finisher

Taxable!

NAC 372.450(1)

Painters, Polishers & Finishers

- Charges for painting or finishing real property

Use tax on materials used

Painters, Polishers & Finishers

- Charges for repainting or refinishing used articles

Tax due on PURCHASE of materials

Delivery Charges

- Effective May 22, 2009 charges for transportation, shipping or postage are no longer subject to Sales & Use Tax if they are separately stated on the invoice.

Exceptions:

>>If a delivery fee is charged for shipping a motor for repairs, and it is charged for shipping the motor back, generally that fee is not taxable as it is NOT associated with a sale of tangible personal property.

Replacement Parts

- **Sales and Use Taxes do not apply** to the purchase of replacement parts if the repairs are pursuant to the provisions of a **warranty or guaranty** if the warranty or guaranty was originally taxed as part of a sale



Absorption of Tax

- Taxpayers **CANNOT** advertise they will pay the sales tax
- Taxpayers **CAN** state that “sales tax is included....”
- If there is no such statement on the invoice or a sign that sales tax is included, then the sale is subject to tax on the entire amount of tangible personal property

Summary

- Repairmen are retailers
 - > *If Parts substantial, separate the charges or all taxable*
- Repairmen are consumers
 - > *If parts are insubstantial & not separately stated*
- Fabrication labor is taxable in a retail sale
 - > *But not taxable in a contract for improvement to real property*
- Repair labor is not taxable
 - > *but, repair charges must be separate from parts*

Summary

- Repair to motors/transformers – 50% rule
- Retread-recaps – 75% rule
- Refurbishing – labor not taxable
- Painting real property – use tax on material only, labor not taxable
- Painting/refinishing used property– use tax on materials only, labor not taxable

Summary

- Replacement parts under warranty-no tax if warranty was taxed

- “We’ll pay your tax” -----

Nope!... Can't say that

Written Response

Most tax issues can be addressed by the Department of Taxation. Please be advised that any responses to inquiries made to the Department are only binding if put in writing, such as Nevada Revised Statutes, Administrative Code, Nevada Tax Notes, or in written correspondence.



DEPARTMENT OF TAXATION

Contact Information



**Our offices are open Monday-Friday 8:00
AM – 5:00 PM**

**Contact our Call Center at
1-866-962-3707
*(closed during lunch)***

Southern Nevada:

Grant Sawyer Office Building
555 E. Washington Avenue
Suite 1300
Las Vegas, NV 89101

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2550 Paseo Verde Parkway
Suite 180
Henderson, NV 89074

Carson City:

1550 College Parkway
Suite 115
Carson City, NV 89706-7937

Reno:

4600 Kietzke Lane
Building L, Suite 235
Reno, NV 89502

MORE QUESTIONS?

- **Department of Taxation website:**
<http://www.tax.state.nv.us/>
 - Taxpayer “What You Need to Know” questions and answers
 - Nevada Tax Notes
 - Copies of blank returns

